GOVERNMENT OF INDIA
DEFENCE
LOK SABHA

STARRED QUESTION NO:433
ANSWERED ON:19.12.2002
DECLASSIFICATION OF PROCUREMENT PROCEDURES
SHYAMA SINGH;V. SAROJA

Will the Minister of DEFENCE be pleased to state:

(a) whether the Government have decided to declassify procurement procedures for Defence equipment and platforms which have been marked secret till date as reported in `The Hindu` dated November 24, 2002;

(b) if so, the details thereof;

(c) whether the Defence Production would be open for private sector;

(d) if so, whether the security aspect has been assessed before opening Defence Production sector to private sector; and

(e) if so, the details thereof?

Answer

MINISTER OF DEFENCE (SHRI GEORGE FERNANDES)

(a) to (e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO. 433 FOR 19.12.2002

The Government have decided to declassify procurement procedures soon after they are finalised. The process of formulating the same is underway.

2. In May, 2001 Defence industry sector, which was hitherto reserved for the public sector has been opened upto 100% for Indian Private Sector participation with Foreign Direct Investment (FDI), permissible upto 26%, both subject to licensing.This includes all types of defence equipment. Detailed guidelines were issued by the Department of Industrial Policy & Promotion (DIPP) after consultation with the Ministry of Defence and Industry Associations for consideration of applications for grant of license in January, 2002.

3. The security concerns have been adequately addressed by incorporating the following provisions in the guidelines:-

(i) Adequate safety and security procedures would be put in place by the licensee once the licence is granted and production commences. These would be subject to verification by authorised Government agencies.

(ii) Arms and ammunition produced by the private manufacturers will be primarily sold to the Ministry of Defence. These items may also be sold to other Government entities under the control of the Ministry of Home Affairs and State Governments with the prior approval of the Ministry of Defence. No such item shall be sold within the country to any other person or entity. The export of manufactured items would be subject to policy and guidelines as applicable to Ordnance Factories and Defence Public Sector Undertakings. Non-lethal items would be permitted for sale to persons/entities other than the Central or State Governments with the prior approval of the Ministry of Defence. Licensee would also need to institute a verifiable system of removal of all goods out of their factories. Violation of these provisions may lead to cancellation of the licence.

(iii) The Government also reserves the right to check the antecedents of the foreign collaborators and domestic promoters, including their financial standing and credentials in the world market.